

## ECONOMIC NEWS &amp; DIGEST

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of

METROPOLITAN COMMERCIAL CO. LTD.

HONG KONG.

## I. ECONOMIC MATTERS &amp; HONGKONG TRADE.

Producers of Rubber to Meet in London. Every large rubber producing country in the world is being invited to a meeting in London on Monday to try and work out an international scheme for more equitable distribution of rubber among non-Communist countries. Russia, China and new democratic countries have not been invited.

Invitations have been sent out by the Board of Trade after consultations with the United States and France. The countries which have been invited are Canada, Ceylon, France, Indonesia, Italy, the Netherlands, Thailand, United States and Vietnam. British Colonial and dependent territories concerned with rubber will be represented by a separate delegation.

The conference will review the supply and demand position of natural and synthetic rubber, particularly in 1951 and 1952, and to consider what action, if any, is necessary and desirable to secure an equitable distribution of supplies which are expected to be available.

This meeting would not constitute a commodity group as envisaged by the recent Three-Power announcement on raw materials, but would be an international conference to decide what could be done to solve the short-term arising out of the present shortage of rubber and the increased demand for rearmament and stock-piling purposes.

The exclusion of Communist countries indicates, however, that the meeting will be the first step in the direction of creating an international organization to co-ordinate supplies of rubber and to ensure that the Western industries do not go short. (S.C.M.P. 5/2/51)

Raw Materials to China; Britain & U.S. not Feuding Over Shipments. The Prime Minister, Mr. Clement Attlee, today denied that Britain and the United States were feuding over shipments of strategic materials from this country to Communist China.

Mr. Attlee told the House of Commons that Britain's policy in this matter "is determined in the light of discussions with the United States and other friendly governments".

Conservative E. D. Gamman had asked the Prime Minister whether China was being treated differently from the Soviet Union and the "satellite" countries of Eastern Europe. He also wanted to know whether the United States had made "representations" to Britain about leakages of strategic material to China or European nations in the Russian "orbit".

Mr. Attlee replied that there was a system of export licensing in Britain and the Far Eastern colonies to "help limit the flow of supplies to undesirable destinations. China is treated on the same basis as the Soviet Union.

Representative William Lantaff (Democrat) said today that shipments of war material "from one of our allies" can be treated through Chinese ports to the Korean battlefield.

Mr. Lantaff told the House Foreign Affairs Committee that British shipped \$4,000,000 worth of non-ferrous metal and \$1,000,000 worth of machinery to China from January to October last year; \$42,500,000 worth of goods to Russia; and \$5,000,000 worth to Czechoslovakia. He said Britain's rubber shipments to Russia increased from 500 tons in 1945 to 9,878 tons in the first 11 months of 1950. He said Belgium had shipped steel, zinc and non-ferrous metals to Russia. (S.C.M.P. 9/2/51).

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Thailand Intends to Control Chinese Remittances.

It was learned that the Thai Government after having supported the UN "condemnatory resolution" proceeded to study a new move in keeping with the proposed "economic sanctions". The new move is to begin with a control over Chinese overseas' homebound remittances.

The Thai government under the US pressure took the view that for an effective execution of the economic blockade of China and of the freeze of Chinese foreign exchange holdings which may flow directly or indirectly back to China, a control over Chinese overseas' remittances is necessary. (T.K.P. 9/2/'51)

US Export License Situation.

We regret to report that the export license situation on HK shipments has not improved. Most of the cargoes which have been stranded at various ports in the Pacific by the US embargo regulations have remained there without any movement and the majority of application for export license on these pharmaceuticals, and even cosmetics are all considered as items the exportation of which are contrary to the national interest. Under such circumstances, we have been working against a stone wall, and unless the situation improves, are afraid little favourable response can be obtained from the US Commerce Department. It is, however, understood that shipments to Singapore, Indonesia, Manila, and a number of other places in the South Sea Islands are still permissible, so long as the items to be shipped are not on the positive list, and there is no intention of transshipment to prohibited areas. (Our own correspondence.)

Japanese Trade (Open Account).

The volume of applications for import licenses from Japan continued to increase at such a rate that it became necessary as from December 27 to limit licences to foodstuffs and raw materials and building materials for internal use.

Import licences were issued to a total value of US\$17,937,000 L/A established by Japan in respect of exports totalled US\$6,812,000. Imports received were valued at US\$9,909,000 and exports effected totalled US\$2,392,000. The total volume of trade through the Open Account during 1950 was approximately US\$85m. (F.E.B.R. 1/2/'51)

Trade Ties With China Severed: Its Effects on Japanese Industry - The Japanese Journal of Finance and Commerce's Editorial Opinion.

The sudden spurt which the Korean war gave to world demand for steel and iron raised Japan's steel production in November, 1950 to a postwar high of 310,000 tons. This situation encouraged MITI and the industrialists to revise upward provisionally to 4,000,000 tons the year's steel production target.

The embargo clamped by the Government on exports to China blasted MITI's plan and the 4,000,000-tons target was scrapped. The Economic Stabilization Board feared that the export ban was likely to lead to the suspension of supply of Chinese iron ore and coal when more than half of the raw materials needed by Japan's steel and iron industry was coming from China.

Not much hope can be pinned on imports of American raw materials since the US is out to secure sufficient key materials for itself and control its export trade in an effort to expand military preparations. The amount of imported iron ore necessary to attain the production goal is 3,500,000 tons. Imports possible from areas other than the US include 1,020,000 tons from the Philippines, 600,000 tons from Malaya, 300,000 tons from HK, 150,000 tons from India and 150,000 tons from Goa, totalling in all 2,020,000 tons. This means Japan needs American ore amounting to approximately 1,000,000 tons. At present, however, only 300,000 tons of it are forthcoming.

The export ban has, as we have reviewed above, dealt a vital blow to the steel and iron industry circles. It has also affected, though to far less degrees, other industries including machinery, chemical and fertilizer industries. As for import trade, the suspension of the supply of soya bean and salt from China has hit the oil and fat and chemical manufacturing hard.

The value of industrial, electric and other machinery exports to China validated from January through October, 1950 was \$4,397,000, including \$1,871,000 destined for HK.

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Although the embargo has given rise to the question of indemnifying the damages of a portion of the electric machinery already contracted, the machinery industry in general

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considers that there is no particularly adverse effect on machinery export trade as a whole because China accounts for about only ten percent of Japan's total machinery exports.

After fertilizers were decontrolled in August, 1950, sulphate of ammonium exported to China totalled approximately 20,000 tons. The embargo has resulted in the loss of this oil customer. Industrialists, however, do not see any immediate bad effects because they are at present having their hands full turning out this fertilizer for export to Formosa.

No effect of the embargo is seen on caustic soda manufacturing, the entire production being hardly sufficient to meet domestic and special procurement demands and no portion of it is exported.

The suspension of the import of salt from China, however, is a hard blow to this industry. Of Japan's imports of industrial salt, 30% has been coming from China and other Asian areas and 70% from the Mediterranean and the Near East. In 1950, Japan contracted to buy 230,000 tons from China, of which 70,000 tons have been brought to Japan. The balance of 160,000 tons must now be purchased elsewhere.

Exports of salt in the Mediterranean and Near Eastern areas, however, have raised their prices substantially in anticipation of the difficulty in buying from China. The unrest over marine transportation from those areas is making it additionally difficult to import from this source.

The government planned to import about 200,000 tons of soya beans in 1950, 80% from the US with GARIOA funds. Imports from China have been small in amount and shipments totalling 20,000 tons from that country, which had been scheduled to arrive by the end of the year, were cancelled as a result of the embargo.

The effect on Japanese economy is serious since Japan is suffering from an absolute shortage of this material. The industry hopes American soya beans will be imported with GARIOA funds as well as on a private trade basis to take the place of Chinese soya beans. (EX. J&F.C. 15/1/51)

#### HK's Trade Control & Smuggle Trade.

On the 1st December many further articles were declared prohibited Exports under the Exportation (Prohibition) (Specified Articles) (No.2) Order 1950. These articles comprised all types of military equipment and ranged from aircraft to gun rifling machines and poisonous gases. The list was still further extended on the 22nd December by Order No. 3 with the addition of Water Bottles (military type), steel helmets and radio transmitters.

The staff working on export control has been augmented, and this applies in particular to Kowloon Railway Station where the search of trains has been intensified.

The month's seizure of oil showed an increase, and amounted to 4,959 gallons of Diesel Oil, 331½ gallons of Lubricating Oil, 315 gallons of Kerosene, 100 gallons of Petrol and 21 drums of Lubricating Grease. In addition 188 drums of various oils which had been seized in the previous month were confiscated to the Crown. (F.D.B.R. 1/2/51)

#### Euro-Asia Freightage will be Readjusted.

It is reported that the Euro-Asia Shipping Lines Association may make a third adjustment of the freight charges. The Association had previously twice raised the freight rates, but the shipping companies concerned regard that the situation prevailing now requires another adjustment. The reasons for a further rise are cited as 1) The risks involved are great. 2) The freight is on the decrease and as a result the income of the companies are not sufficient to cover their expenses.

The Far Eastern lines are facing a critical shortage of tonnage available because the shipping companies of the Euro-Asia Shipping Lines Association have shifted many of their ships to other lines. At present, the ships tonnage available for the Far Eastern line, has come to be less than 70% of that in the 1st half of 1950. On the other hand, the cargoes awaiting shipments at European ports are piling.

After they have reduced the number of ships running on the Far Eastern line, the incomes of the shipping companies naturally decreased. The shipping companies regard that the loss should be made good by raising freightage. (T.K.P. 3/2/51)

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Tungoil Mart Exceedingly Active.

Owing to the heavy demand of the European firms, the foreign sales of tungoil continued to be active. 530 tons were transacted within the week ended Feb. 4.

Other vegetable oils continued to enjoy heavy demand. But transactions were few due to the existing short supply. (T.K.P. 4/2/'51)

Sheet Glass Stock Low.

HK glass market witnessed an unprecedented quietness either in overseas sales or in retail. The sources of supply for HK glass market are China, France and Czechoslovakia. In recent months, supplies were slow in coming and this results in the present exceedingly low stock.

Apart from local consumption, sheet glass are usually shipped out for sales in South Sea Islands and South Africa. In the past year, because of the weak demand of the above two areas, sales here diminished greatly, and the prices remained stagnant. At present, Yao Hwa and Czech makes sell at HK\$32 and HK\$33 per box respectively.

There are however, good reasons for the glass market resuming high activities. These are: 1) Both French and Czech supplies are on the decrease because the dealers have in the past greatly cut their orders for the same and also because the supplies in the future will remain to be scant. 2) The market can only look to the supply by the Yao Hwa Glass Manufacturing Co. 3) Owing to the recent appreciation of the J.M.P. the export prices of the Yao Hwa make will certainly be higher. Because of the low stock prevailing, there is nevertheless good prospect for sales. (T.K.P. 9/2/'51)

## II. COMMODITIES.

## World Demand &amp; Supply.

US Commodity Markets Review

NY. Price trends mixed in major commodity futures trading February 1 and 2. SOYABEAN OIL, SOYABEANS, RYE, COCOA, irregular. Future dealings on COTTONSEED OIL, HIDES, WOOL, COTTON & BLACK PEPPER suspended since general price freeze order. SUGAR: Trading held up. Future prices raised 6 to 10 points. Spot price of world sugar advanced 5 points to 4.95c fob. Cuba on good trading. BLACK PEPPER: Market quiet, participation restricted pending further price devaluations. COTTON: Actively quiet. Reports of a revision of price regulation order that may be issued momentarily, but no hint as to what form it might take. WOOL: Market quiet. Buyers taking only small lots out of picked-over assortments. Inquiries from yarn spinners and weavers dropped off remarkably. Trading in Boston market slight, dealers awaiting clarification of price freeze order. CHEMICALS: Prices on fine chemicals generally firm. Heavy chemicals featured by generally strong tone with producer prices still firm at maximum levels previously in force. ESSENTIAL OILS: Since price trend has been continually upward in face of generally strong statistical position, as well as high replacement costs of many imported items, price regulations have eliminated actual changes in spot quotations for the moment. Supplies light and many houses have not been able to get ample quantities of some oils despite willingness to pay fancy prices for replacements. METALS: No new developments in copper markets. Lead supplies light and buyers find it exceedingly hard to fill requirements. Foreign demand also been in excess of available supplies. Export price, 18.50c fas, Gulf ports. Domestic lead quoted at 17.00c. NY. St Louis zinc prices firm; consumers seeking February, zinc paying premiums to get the metal. Foreign consumers have also been looking for zinc, offering to pay as much as 28c lb. fas, Gulf ports. Producers price frozen at 17c. Price for Grade A tin for prompt delivery has been held at \$1.83 lb., while price freeze makes it impossible for tin importers to do prompt business, it does not prevent the Government from selling prompt Grade A tin each day. Tin market generally quiet pending developments as a result of price freeze. Prompt delivery of Grade A tin quoted at \$1.88 lb. fas, March.

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Iron and Steel: Confusion has resulted in trade since price freeze and both buyers and sellers limiting sales pending the outcome of price freeze. (W.M.B. 3/2/'51)

#### The Rise in Wholesale Prices in UK

A survey of the course of wholesale prices in 1950 in the Board of Trade Journal brings out the big contrast between the rises in basic materials and those at later stages of production. The basic materials index reflected the sharp rises which took place in raw wool and cotton, non-ferrous metals, rubber, hides and skins, wood pulp, etc. It rose from 307.3 (1913=100) to 567.4, an increase of 84.6% on the year. By contrast, the rise in the index of manufactured articles (which measures changes in prices of such items as finished steel, cloth, etc., not of goods at the final stage of manufacture) was no more than 7.5%. Though moderate by comparison with the movements for basic materials this was nevertheless bigger than the 5.9% rise recorded in 1949. Most of the rise in the index took place in the second half of the year. Even so the rise only partially reflected the influence of the higher raw material prices; this may be expected later to raise the prices of manufactures still further. The net result is that the index of industrial materials and manufactures combined advanced by 28.9% which compares with 4.4% over the preceding year and is in fact the biggest rise since the index in its present form was begun. On the other hand, food and tobacco showed a smaller increase than during 1949 - 7.8% against 19%. Thus the price index for all articles rose by 21.3% during 1950, the biggest rise in ten years.

The rise in prices was particularly steep from May or June onwards, when the effects of the Korean war began to be felt. This was particularly true of non-ferrous metals which after, advancing 20% between December, 1949 and June, 1950, nearly doubled the rate of progression in the succeeding six months with a jump of 39%. Apart from a slight faltering, in February and June, the price of raw wool rose more and more steeply through out the year, and the index for the wool group as a whole rose by 117% compared with the end of 1949 and by 68% compared with 1938. The next heaviest increase over pre-war levels was in the cotton group, 501%. (L.T. 3/2/'51)

#### US Market Conditions of Chinese Products

Following the freezing regulations, the market for Chinese products here almost come to a standstill. The price of woodoil remains around 39c, but none is being offered. Anybody who has Chinese bristles is now holding the goods and prices become somewhat nominal. It is reported Shanghai bristles No. 17 sells over \$5.00, while Tientsin No. 55 short around \$9.50. The price of Chinese menthol crystals has advanced to around \$14.00c C & F. There has been a report of Chinese cotton waste Fly No. 1 grade selling around 23c per lb. The price of hairnets has also advanced by 30%. No transaction has been heard on Chinese Silk but according to the Japanese silk prices size 20-22 should sell around \$4.30 for Grade C.

While goods continue to come from HK, volume has been considerably reduced. The supplier is required to make a statement that no national of Communist China has had any interest in the merchandise since December 17, 1950, and as time goes by this statement is becoming more and more difficult to make. If the Far Eastern situation becomes worse it is likely that very little will come out of that and this factor accounts a great deal why people are refusing to sell any Chinese merchandise now in their hands. (Our own correspondence).

#### Tea

The World Supply of Tea. The main points of the London Auctions Plan are that the British Government will not enter into any more bulk purchase contracts unless international conditions require a change of their present plans. The producing countries have tentatively agreed to allow approximately the same which have shipped to London, during the last few years, to be shipped there for sale in the London auction, but they will retain an ample supply for their own auctions. Rationing and subsidies will be continued. This move is a step in the right direction, but it is a pity that they did not remove subsidies and rationing at the same time, for this will cause a further upset in the industry at some future date. In so far as the outmarkets are concerned, this reopening of the London auctions will have a stabilizing effect on all markets, as London buyers will be permitted to operate in the primary markets should they so desire and re-exports will be allowed from London of any desirable types suitable for the outmarkets.



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During the last two months, a series of disastrous earthquake and tremors have taken place in Assam. Considerable damage has been caused in Upper Assam to the drying sheds, factories, labourers' houses, and other buildings but only slight damage to the tea bushes themselves.

There has been a strike of all estate labour in Indonesia which lasted some six weeks and for a time all production was stopped, not only tea estates but all agricultural production was effected. The strike has been settled and small quantities of tea are moving forward. The amount of crop which has been lost has not been determined, although it is believed to be about one million pounds weekly.

As can be seen from these remarks, it is not expected that either India or Indonesia will show any increase in crop during the current year, but there is an indication that Ceylon will show a substantial increase if the present crop rate is maintained. Given reasonable weather conditions for the remainder of the year, this crop may increase by about 22 million lbs over last year bringing the production to 320m lbs.

The British contract with Ceylon this year until March 1951, but this increase should enable many of the tenderers to that contract to complete their deliveries well before the final date, and allow the growers to auction in Colombo as much of the fine tea as they did this year during the quality period of January to March. It is now almost three years since the London are permitted to do so and can afford to pay the prices ruling, the London buyers will be most anxious to take advantage of this opportunity and operate on the Colombo market for shipment to London.

Turning to the supply position, the average world supply of tea during the years, 1934-8 was 981 m. lbs annually and it was not until 1947 that this figure was duplicated and in 1948 for the first time over one billion lbs were produced.

#### World Tea Supply - 1949 (Pounds)

North & South India .....	586,100,000
Ceylon .....	298,500,000
Indonesia .....	61,400,000
Pakistan .....	46,300,000
Africa .....	34,000,000
Japan .....	15,800,000
Formosa.....	10,400,000
China .....	34,600,000
Other Countries .....	5,000,000
Total	1,093,000,000

\*Exports only.

The average world absorption from 1934 to 1938 was 976 million lbs annually, and it was not until 1948 that this figure was duplicated and we now see that in mark for the first time.

	Pounds
UK .....	469,100,000
America .....	144,600,000
Africa .....	100,000,000
Asia .....	65,000,000
Australia .....	58,800,000
Europe .....	57,900,000
USSR .....	16,800,000

\*Producing

countries 191,000,000  
Total 1,103,800,000

\*Except Japan, Formosa, China and small producers.

This shows that the world absorbed slightly more than the current year's supplies. 1,103 m. against 1,093 m., and this can be accounted for by the stocks held in the consuming countries and the teas in transit.

We now turn to 1950. Wherever possible, the actual figures of both supplies and absorption up to the end of August have been incorporated and the balance of the year has been estimated on the quantities which would be produced and absorbed under normal conditions but as can be readily seen production does not necessarily mean availability

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to the consuming markets as any disturbances, such as strikes, earthquakes or other disasters can effect marked changes in these figures.

#### World Tea Supply - 1950 (in Pounds)

North & South India	590,000,000
Ceylon	320,000,000
Indonesia	75,000,000
Pakistan	50,000,000
Africa	41,000,000
*China	25,000,000
*Japan	20,000,000
*Formosa	15,000,000
*Other countries	6,000,000
Total	1,142,000,000

\*Exports only.

If all these figures are obtained, the world supply will be approximately 50 m. pounds more than last year.

#### World Tea Absorption - 1950 (in Pounds)

UK	450,000,000
America	154,100,000
Africa	90,000,000
Europe	70,000,000
Australia	66,000,000
Asia	60,000,000
USSR	20,000,000
*Producing countries	194,000,000
Total	1,104,000,000

\*Except Japan, China and Formosa, and small producers.

Turning to the above, we find that the estimate of 450m. for the UK is 19m. lbs lower than 1949 due to the reduction of the ration to 2 ounces per person per week. The American Continents are expected to absorb 154m. or about 10m. more than last year. Africa 90m. or 10m. less, mainly due to an anticipated reduction in Egypt. The figure for Europe has been increased by 12 m. to 70m. lbs with Australasia taking 66m. or 7m. more than last year which is largely due to the heavy buying in Ceylon during the second quarter of this year. On the other hand, Asia is expected to take 60m. or 5m. less than last year.

This indicates that the absorption this year (1950) will be approximately 1,104 million pounds, whereas supplies will for the first time since 1939 exceed this absorption figure by about 38m. lbs, but this is dependent on the supply of 15m. from Formosa and 25m. lbs from China and as both are extremely doubtful the surplus could be placed more reliably at about 15 to 20m. pounds.

To project our thinking one step further into the realms of conjecture we can view a potential supply in 1953 of 1,250m. lbs from all sources, and a probable world absorption during that year of 1,236 m. lbs. These two figures are obtained by estimating the production India, Pakistan, and Ceylon at about their present figure with a substantial increase from Indonesia and relatively small increases from Africa Formosa and other smaller countries. On the absorption side, the UK is estimated to increase to around 480 m. in 1953 with the American Continents at 175 m. While Australia, Asia and Africa are expected to show small increases, a fairly large increase in consumption is expected in the producing countries, particularly India and Pakistan. These figures are not related to any previous ones which we have given although the absorption figures are the maximum figures as far as can be reasonably estimated the supply could be much larger. (Tea. Nov. '50)

Tea Pledged for 1951 London Auctions Insufficient to Meet Present Ration. Proposed release of Tea by India and Ceylon is 70m. lbs. below Needs of 420,000,000 lbs. It now appears that Britain will have to look to Indonesia and Pakistan, and to some extent to Africa, for sufficient tea to maintain the present two-ounce ration in the UK when the tea auctions are resumed here in April 1951 after 10 to 11 years of government bulk buying.

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India and Ceylon are present proposed to release for the resumed auctions around 350m. lbs -250m. lbs from India and 100m. from Ceylon. This total is 70m lbs below the figure needed to ensure the weekly two-ounce ration for the people of Britain namely 420m. lbs.

The trade here is included to think that these "auction allocations" are planned to limit the scope of the London auctions to the British domestic trade, and prevent London becoming again a world centre in the free tea market. So far as the home tea ration is concerned it is believed it will not be difficult to make good the leaf deficiency from other sources, notably Indonesia, who is now in a better position to increase tea production substantially. (Tea. Nov. '50)

#### Japanese Green Tea to be Exported.

Japan's exports of green tea this year may reach around 15,000,000 lbs or slightly below the figure for 1949 of 16,000,000 lbs, should China, her sole competitor, continue to restrict exports of the product.

It is predicted that the nation's postwar customer countries will have to replenish their tea stocks this year in view of their depleting supplies. (J.E.C. 15/1/'51)

#### Raw Silk

Japanese Overseas Market. Now that silk is being used in the US for mixed weaving with nylon and rayon and because nylon is again being switched to munitions production in the overall armament expansion program, there are signs of increasing demand for Japanese raw silk. The silk markets in France, Britain and Switzerland have also become bullish. Silk export increased from 4,000 bales per month in 1949 to 6,000 bales in 1950. Incidentally, raw silk exports during 1949 totalled 48,663 bales - 14,065 to the US, 11,917 to France, 9,281 to Britain, 5,226 to Switzerland and the rest to other countries. In 1950, 37,000 bales had been shipped out during the first half year alone. (J.E.C. 15/1/'51)

#### Fats & Oils

High Prices for Oilseeds in Great Britain. The Ministry of Food of Great Britain has agreed to pay between 25 and 33-1/3 percent more in 1951 for imports of West African nuts and oilseeds, from which a large part of the margarine ration is derived, states the British press. Talks with the producers' representatives have been completed.

West African shipments normally amount to 900,000 tons a year of groundnuts, benniseed palm kernels, palm oil and cottonseed. The price previously averaged £55 a ton. The British Government will, therefore, have to budget for an increase in the cost of at least £12,000,000. (F.C.W. 25/12/'50)

Olive-Oil Production Declines in Greece. The preliminary estimate of Greece's 1950 Olive-oil crop is 54,000 metric tons, the second lowest in 20 years. Production of olive oil in 1949 was officially estimated at 224,624 metric tons. The 1949 crop was the largest since 1921. Although the 1949 crop was large the 1948 crop was small, and estimates of 1950 production of only 54,000 tons account in part for high internal prices. The sharp drop in 1950 crop production, according to Ministry of Agriculture officials, is attributed to: 1) extreme drought during the spring and summer months and strong, dry, hot, winds in July and August, which caused a premature drop of Olives; 2) the extremely heavy bearing in 1949 which caused a sharper alternate year yield decline than usual; and 3) severe attack of the Dacus fly in most areas. Exports of olive oil during the period November 1, 1949-October 31, 1950, totaled 150 metric tons, valued at 681,160,000 drachmas (official rate 5,000 drachmas:=\$1 United States currency), compared with 6,367 tons in the period November 1, 1948 - October 31, 1949. The sharp drop was due mainly to internal prices which priced Greek olive oil out of the world market. Of the amount exported in 1949-50, Egypt took 68 tons; Brazil, 12, United States, 7; and other countries, 63. (F.C.W. 25/12/'50)

Olive-Oil Production Declines, Lebanon. Lebanon's 1950 olive crop is estimated to be only 5,000 metric tons as compared with 35,000 tons in 1949 and olive-oil production only 1,000 tons as against 10,000 tons in 1949. The decrease in production resulted from heavy spring rains which destroyed flowers and the blossom buds of the olive trees,



particularly in the coastal regions. This sharp drop in production has prevented exports and has resulted in a 55 percent increase in prices of olive oil since October 1949. Deficits in edible olive oil to meet local requirements will be met by the 2,500 metric tons of cottonseed oil produced in Lebanon in 1950. Nonedible-oil requirements will be met by imports of vegetable oils and olive cake to be processed locally. (F.C.W. 25/12/'50)

### Iron and Steel.

NYK Vessel for B'kok Steel Cargo. The Nippon Yusen KK's Enbho Maru, 10,917 dead weight tons, left Wakamatsu Port, Fukuoka Prefecture for Bangkok with 2,300 tons of steel blocks. The vessel is expected to pick up 7,500 tons of Thai rice at Bangkok for transportation to Calcutta, its destination, from where it is scheduled to bring back 7,000 tons of Indian pig iron (J.F.C. 15/1/'51)

Steel Demand Heavy in Japan. The 1951 export target of 850,000 tons of steel and iron products will be completed by the end of March this year reflecting heavy overseas demand. The biggest customer of Japanese steel and iron products probably will be the US which is expected to place heavy orders for billets, shipbuilding material, nails, steel wire and galvanized sheet iron. (J.F.C. 15/1/'51)

### Chemicals

Behind the US Markets; Price Trends & Raw Material Supply. Many basic, important chemicals are carried upward in sweeping new price movement. Some imported products which have been relieving scarcities here may follow.

Chemical price situation got completely out of hand during the first week of December when more than 90 of the industry's important items whether manufactured or consumed as raw materials, moved upward in the most sweeping advance witnessed since the imposition of price controls, early in World War II. The threatened price-and-wage control has to do with it. Up to the start of December rise in chemical prices had been comparatively moderate. During the week ended Nov. 21 over the preceding week was only 0.4%, making the rise in chemicals and allied products for the year, 16.8%.

In a number of instances production costs had been building up slowly, finally forcing the manufacturers or suppliers to adjust the product prices accordingly. This may have been the case in such commodities as the mercurials, the chlorinated intermediates like dichlorobenzene, chlorobenzene, etc.

Leading fertilizer materials were accorded fairly sizable increase. Coke-oven ammonium sulfate was moved up \$8.00 per ton to \$40, one of the sharpest upturns in this nitrogen product recorded in years.

In discussing prices one cannot overlook the fact that import values are also moving higher for a number of materials being brought in to relieve the present supply shortages. And some foreign materials which have been ruling at stable levels may take their cue from the present general upturn here and join in the inflationary whirl. Naphthalene, benzene cresylic and alcohol might fall within this category.

Market authorities also are wondering if there is sufficient storage space to take care of these imports. (C.E.N. 18/1/'51)

Much emphasis is being placed on the fact that the US is much better off today in the matter of essential and strategic raw materials provided by countries in the Far East than it was in 1941, at the start of World War II. This is true in the instance of tin, tungsten, and a number of crude drugs which have been supplied by China and other adjacent Asiatic countries.

Metal developments are reflected in no small manner by the chemical market. For instance, the NPA has already limited the amount of slab zinc used in French prices zinc oxides. As a result, shipment of the metal oxide to buyers has been cut 20% starting Jan 1. (C.E.N. 25/12/'50)

US Sulphur Industry. Sulfur industry is forced to curtail deliveries to contract consumers. Shipments come to be 215,000 tons greater than mine production.

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US production of crude sulfur for 1950 will amount to approximately 5,300,000 long tons, a new high record for the industry and a total that is about 2.5 times greater than the average production during the prewar period, 1935-39. Mine shipments and sales, however, are running in excess of the output rate, explaining the shortage and the uneasiness felt in industrial and government quarters. Sulfur and its acid constitute the two most basic and essential chemicals in war or peacetime; hence it is not difficult to understand why it has been necessary for the producers to impose restrictions of 20% on shipments to contract users. (C.E.N. 4/12/50)

### Machinery

Japanese Universal Heavy Electric Machinery Industry Restored to Prewar Level: Export Not Brisk. Since heavy electric machinery are not directly of the nature of munitions, they are not subject to the so-called special war procurement demand. On the other hand, however, with domestic industry expanding at a rapid tempo demand for this type of machinery is spectacularly growing.

Heavy electric (general use) may be divided into two classes; universal machine like electric motors, small transformers and large machinery like large dynamos and transformers.

The production situation in respect of electric motors is that the output of the three phase cage type induction motors has been overwhelmingly large, occupying from 70-80% each quarter period. Second in importance are the single phase separate phase type and repulsion induction motors; which occupy 20-30 per cent each quarter period. As regards the three-phase winding type motors, their output has occupied only 1% or about 500 pieces, each quarter period. Thus the three-phase cage type induction motors may be regarded as representative type of standard electric motors.

Singly-phase transformers occupied the bulk of the transformers built, namely 90% or more. The latest trend, however, is toward and increase in the three-phase type of transformers. As universal machinery are standardized articles, the market for their exports is limited. Moreover, Asia has only recently entered a phase of industrialization, so that she requires development of power resources rather than universal machinery. Consequently, the export trade in this line of machinery has not very lively.

During the year 1949, a total of \$709,487 of universal electric motors and universal transformers together was exported, which is about one-third of the total amount of exports of electric machinery \$2,252,215.

The total universal electric motor and universal transformer export figure of \$709,489 may be broken down to \$238,522 for 1,815 universal electric motors, \$300,616 for 3,534 electric motors for spinning machine use and \$170,349 for 253 transformers.

India is overwhelmingly the foremost importer of Japanese electric motors with \$310,000 or thereabouts, taking 44% of the total exported. Formosa follows with \$100,000 or 14%, Pakistan with \$33,000 or 5%. (J.F.C. 15/1/51)

Sewing Machine; Japanese Production & Export Growing. Export of Japanese sewing machine has been on the increase since April 1941. About \$3,000,000 worth was exported in 1949 far surpassing all other machinery in export value. The world crisis in 1950 furnished further incentive to their sale abroad. Japan had been exporting, since April 1950, 20,000 sewing machines every month. The spectacular export boost since last July is due to speculative buying in anticipation of a price raise, conversion of Singer factories in the munitions plants and Yuletide demand abroad. To meet such brisk export, Japanese sewing machine makers are endeavoring to expand their production capacity by employing new workers and increasing their subcontracting factories.

Brisk as it is, no optimism is admitted for sewing machine export. Last September US accounted for 79% of Japan's export, Latin American 9.5% Far East 4.4%. Conversion of the Singer factories to munitions plants and lower prices of Japanese machines enabled Japan to export sewing machines to US. It must be remembered Americans buy Japanese machines not for the quality but for the price. To other market export is made off and on excepting HK, Singapore and Belgium, to which 200 to 500 "Jukis" are regularly exported every month. Uncertainty of markets is a thorn in the side of Japan's sewing machine industry.

After removal of a floor price of \$25 (for the machine proper) in August 1949, makers,

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to win in the competition. Some makers, to win in the competition, brought the price below \$20. Second rate machines even dropped to \$16. The competition hamper is still reflected in the barely profit-making export price of \$22 for a first rate machine and \$18 for a second rate one. However, the domestic price of a first rate machine (a complete outfit) has lately gone up from \$51.80 to \$55. Export price is expected to follow suit before long. (J.F.C. 15/1/'51)

#### Sundries.

Japanese FOB export prices of major sundry goods towards the year-end were as follows

Items	Specifications	FOB(\$)(Deliveries in January)
Sheet Glass	2 mm x 40 in.	c/s 5.50
Vacuum Flask (Ea. ple)	One pint	Each 0.46
Charcoal Iron (nickel)	9 in.	Dz. 2.90
Tire & Tube (Truck)	32x610 ply	Set 63.00
" " (passenger)	600-166 ply	" 30.00
Rubber Belt (Industrial)	1 in. x 1 ply	Dz. 0.026
Printing Paper	44.9 gr. 1 sq. m.	100 lbs. 24.00
Newsprint	holl	100 lbs. 11.00
Cellophane	Colorless	
	90 cm. x 100 cm. 30lbs	500 sheets 17.50

(It is of interest to note that tires and tubes and some other items are listed under Sundries which are exportable irrespective of the export ban imposed on Dec. 5, 1950. The SCAP enlarged the scope of the export ban on January 1 to include certain items such as textile machine, sewing machine microscope, etc., but left out tires and tubes. -Ed. (O.S. 13/1/'51)

#### Automobile Tires

To follow up export stimulated by the world crisis, Japan's automobile tire industry is trying hard to extend the market to other regions. In the way of their endeavour, however, stand the rising prices of materials. As rearmament fever seized the world in the latter half of last year, crude rubber and cotton cloth, in parallel with other strategic materials, soared in price. Crude rubber went up by 40% and cotton cloth by 50%. In consequence, the price of a rubber tire rose 15% last June, 25% in August and again 10% in October. At present, a tire costs more than \$57.

Special procurement orders the Korean war bolstered the automobile tire industry of Japan. It is, however, problematical if it can maintain its export activities after complete delivery of special procurement orders. (J.F.C. 15/1/'51)

#### Plates Glass

Japanese Exports. Plate glass export of Japan amounted to an average of 18,000 boxes a month in 1949. With the outbreak of the Korean war, export to Korea dropped sharply. The result was that in July total export of plate glass was only 2,000 boxes, in August 6,000 boxes, in September 8,000 boxes, and in October 7,000 boxes.

In November, export zoomed to 24,000 boxes, and the FOB prices rose from \$4.30 per box in August to \$5.10 in November. This is the result of world-wide armament expansion which reduced export of Europe and America and made Southeast Asia countries more dependent on Japan for supply of plate glass. Formosa is expected to continue import of Japanese plate glass under the Japan-Formosa trade agreement. Also there came an order of 200,000 boxes from Indonesia.

While 3,500,000 boxes were manufactured for 1950, 4,100,000 boxes are slated for 1951. But glass output depends largely on the import of saltpeter, and vital materials. (J.F.C. 15/1/'51)

#### Cotton and Cotton Goods.

Will Japan's Spinning Boom Last Much Longer? Production of cotton yarn and cloth hit a postwar high last October in Japan. Forty-spinning companies produced in October approximately 51,600,000 lbs. of cotton yarn, or an increase of 4,700,000 lbs. over the previous month. About 70,700,000 square yards of cotton fabrics were produced in the same month, showing an increase of 3,350,000 square yards over the previous month.

October witnessed the export of over 100,000,000 square yards of cotton cloth. Japan's cotton cloth export which was discouraging in the first half of last year due to inactive trade with the sterling area remarkably picked up later. As a result Japan exported last year just about 1,100,000,000 square yards of cotton cloth, leading all other countries in the export of cotton goods.

Reasons for Boom. The first cause is, no doubt, the postwar upsurge of demand which was suppressed during the war. Demand became effective as trade returned to normal. In normal years, export of cotton goods comes to a stand-still for several months during the rainy season. Last year, however, export did not slow down even during the usually dull season. In the first six months of last year, cotton yarns export registered a 8% increase and cotton fabrics export a 38% export rise over the corresponding period of the previous year. This was possible because of a brisk demand the world over.

Demand was further stimulated by speculative buying following the Korean War. Together with a sharp price rise, the prospect of increasing difficulties in import from the US and Britain stirred up speculative demand in the Southeast Asia countries. Therefore, orders for Japanese cotton goods were immediately booked in full for the rest of the year.

International Prices Soar. Under the circumstances, cotton goods prices soared. The free price of cotton yarn went up to ¥240,000 a bale and that cotton cloth to ¥3,600 per roll (about 10 yards). The former rose by 78% and the latter 60% compared with the price that prevailed before the Korean war. In comparison with the official price, cotton yarn price was nearly four times higher and cotton cloth price almost twice higher.

A firm trend of cotton goods prices in the foreign market favourably affected Japan's export and contributed to its phenomenal expansion. On the other hand, domestic demand was considerably curtailed by export. Allotment of cotton yarn for home consumption lagged several months behind. Home demand was thus made to suffer. In free economy, however, the price level at home and abroad should not be far apart. In this sense it is desirable that cotton goods prices in Japan be raised by higher world prices.

If raw cotton is secured, the current boom will last throughout 1951 unless the international situation undergoes as spectacular change. Against 12,800,000 spindles Japan possessed before the war, it is to be noted, there are only 4,000,000 spindles, or far less than half of prewar spindleage, in Japan now.

Continuation of the cotton industry boom will, therefore, depend solely on whether or not Japan can get as much as raw cotton as she requires.

Allotment of US Cotton Deciding Factor. It is a matter of common knowledge that demand and supply of raw cotton is influenced by the amount of raw cotton produced by America. About 16,000,000 bales of US cotton is said needed to fill world demand. However, the US follows a policy of fixing her cotton producing area at 25,000,000 acres and her cotton output at 13,000,000 bales a year. This amount fluctuates depending on crop. Last year when the cotton crop was bad, the US produced only in the neighbourhood of 10,000,000 bales, much less than the target amount. The US government exercises a rigid, export control over raw cotton, on account of which other countries are at the mercy of the US in the import of cotton.

The US puts aside approximately 10,000,000 bales for home consumption and allots the surplus, together with the amount carried over from the previous year (about 2,000,000 bales), to different countries. The quantity she can thus spare for export cannot be very large.

It naturally occurs that increase in the US cotton output will easily solve world cotton shortage. There is reportedly a demand among American cotton cultivators and exporters for far increased output to get more profits from export. Incidentally the domestic price of US cotton is 40 cents while its export price is 60 cents. If US boosts her cotton production, however, India and other cotton producing countries will follow suit. The result will be that the shortage will give way to over-supply. Should this happen, the cotton industry boom will end due to lower prices of raw cotton.

As it is, there is no sign of over-supply of cotton, nor does it seem possible that the US will trade her cotton production ceiling in the near future. Under the situation, the only question is how to allot the amount now available. That is why some quarters in the US criticize that too much cotton is set aside for home consumption or stockpile for fear of shortage.

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Japan planned to import for 1950 a total of 1,530,000 bales - 980,000 bales from the US and 550,000 bales from Mexico and others. But actually, her import did not exceed 1,300,000 bales. Japan is planning to increase her cotton import, if possible to 1,800,000 bales for 1951. At the same time, all-out efforts are being made to secure at least as much as in the previous year. Japanese cotton spinners were encouraged by a Washington dispatch late last year reporting the US government decision to raise cotton allotment for eight months up to March of this year to 1,550,000 bales.

Regarding the report of increased allotment, the MITI said: 1) Japan has already contracted for import of 700,000 bales, or 150,000 bales above the original allotment of 550,000 bales. The extra 150,000 bales will probably be allowed as an additional allotment. 2) If the 150,000 bales in excess are formally allotted, Japan's spinning companies will be able to continue operation until the end of May with 700,000 bales of American cotton and stock on hand.

The spinning circles take the following view of the increase in the allotment: 1) The increased allotment will be for the August-March period. It is a question how this will affect the April-July allotment. Most likely, however, Japan will be fully allotted 1,233,000 bales of US cotton by the end of November. 2) Prospect for cotton import from the US is bright, but import from Latin America and Pakistan is viewed with concern. Although import of some 380,000 bales of cotton other than America's have been contracted for, it is conditional and how much of the contracted quantity will be actually imported remains to be seen. Seeing that Japan is in need of 500,000 bales non-American cotton, those already contracted for, even if fully executed, will leave Japan still short of cotton. However, the shortage will not be so keen as to force curtailment of production upon Japanese spinning companies. 3) Increase in the export of US cotton boosted its price to \$0.42 per pound, the highest price in thirty years. And yet, it not so expensive as non-American cotton which is over \$0.70 a lb.

Supply of American cotton in fair quantity will make it easy for Japan to export cotton goods. Assuming that Japan can secure raw cotton, another factor likely to jeopardize the cotton boom will be a radical change in the world situation. What is more, short of vessels, rise in shipping freight and a phenomenal increase in the price of cotton goods will lag behind. The discrepancy in prices will deprive the cotton goods manufacturers of a fat margin. And eventually, demand will begin to gradually decline in proportion to a price rise. (J.F.C. 15/1/51)

#### Premium Gold Sales and Their Impact on the Dollar

The recent revival of demand has restricted the open market price to about the same level as that to which it rose (very temporarily) immediately after the outbreak of the Korean war - now a little over \$42 an ounce, against the statutory American price of \$35. Self-evidently the price would be much higher were it not for the 40% or so of South African output which is sold in semi-manufactured form; and the South African Chamber of Mines, though apparently resisting any temptation to increase the volume of sales, is believed to be opening its month a good deal wider this month in respect of the premium asked. Premium revenue to the South African mines amounted to \$839,770 against \$534,112 in the previous quarter and \$99,927 in the quarter immediately preceding Koreanwar. It would seem that the net premium collected last quarter on the gold sold in the premium market was about 5% - after handling charges, which would not be considerable. But the better part of the rise in the market premium is more recent. It is now about 21% on the official dollar price. This could mean, if maintained, an addition of up to about 8% to the gross revenue of the South African mines, on a 40% sales quote, and naturally a much larger proportionate addition to their profits. For the moment the premium market is quite a major factor in the economics of what is incomparably the world's most important goldfield.

The drain of gold into the premium market comes at a time when the dollar is weak and the US is losing gold rapidly, and the state of the gold market is no doubt itself associated with dollar's weakness. For some time past American gold losses have been running at a rate of between \$2,500 m. and \$5,000 m. a year. The main reason for this loss is the sterling area's favourable balance of payments with dollar area and to a large extent the UK reserves gain what the American reserves lose. But undoubtedly a lack of confidence in the dollar and consequent desire to hold gold rather than dollars are playing their part. The hoarding instincts evoked by the Korean war and the international situation at large have turned to gold instead of dollars. Much, if not most, of the hoarding demand is directed towards the US and directly or indirectly by drafts on American gold stocks. The Bank of America's expense against its sales in the French free market is the simplest case. But the purchases



in the East and in Europe are probably covered to a large extent by sales of dollars (in some cases there are particular as well as general reasons for this), and the end of the process is usually to be found in some central bank converting dollars into gold at the statutory price.

The trend is such that people are asking themselves whether the ample supply of gold for premium markets, be it for industrial and artistic purposes or just straight for hoarding of gold bars, can be stopped by international authority. Is this just a temporary outbreak which can be checked by calling the sellers to heel as some were called to heel formerly by the International Monetary Fund? Or will there be a n international political improvement that will reduce the appetite of the buyers? Or will the process continue indefinitely until in the long run something breaks? The answers to these questions are hidden in the mists of world politics. But meanwhile they can hardly help being deeply pondered in Washington. (L.T. 29/1/'51)

### III. ECONOMIC NOTES BY AREA S & COUNTRIES

#### China.

China's Foreign Trade. The Peking Government has announced that during the first ten months of 1950 trading showed a favourable balance of 32.22 per cent of exports over total imports. No figures of the actual amounts have been published. It was also mentioned that state-owned bodies showed a percentage of 54.38 in export business as against 45.62 per cent conducted by private concerns. On the import side state-owned bodies amounted to 69.94 per cent higher than private concerns which totalled 30.06 per cent of the total. China's chief exports were soya beans, tung oil, hog bristles, peanuts, tea, mineral ores. Her chief imports were raw materials for industrial purposes. (F.E.E.N. 1/2/'51)

#### US

Price & Wage Freeze: General Resentment. When no action aimed at controlling price inflation could hope to win universal approval, it is not surprising that the Government in ordering an immediate freeze of prices and wages, has found itself obliged to take arms against a sea of troubles. The order seems to have satisfied almost nobody, but instead to have created widespread resentment.

Consumers, who had been led to expect that it would provide for a roll-back of prices to the level of early January - which were substantially lower than these now are complaining bitterly about prices having frozen at their very highest. Labour is indignant that wages should be frozen before, as it contends, they have had a chance to catch up with prices. And even the farmers, though they have been reaping harvests of profits and will be largely exempt from the restrictions in the order unless a law is amended, are dissatisfied and are darkly observing that controls will cost the US in five years 10 to 15% of production which could have been obtained under free enterprise. And always there is criticism of those who see in price controls only an attack on the symptoms to the neglect of adequate attacks on the causes of inflation.

In an effort to avert the most serious consequences of complete freeze the wage Board went to work immediately to draw up a flexible policy of controls, a policy to which labour and management could agree and without which wage controls could not in its judgement, be made effective. It had a special reason for haste. Only yesterday the hard-coal miners and mine owners had agreed on a wage increase, as had a few days previously the soft-coal miners and their mine owners. Both increases were to become effective on Feb. 1. But these agreements were rendered invalid by the general freeze order. Now miners are all members of John L. Lewis's United Mine Workers Union and no one familiar with his record as their leader and with the unquestionable obedience they always give to his direction would believe for a moment that he, or they would quietly submit to having their just-won wage increases taken away from them.

Indeed the sole business of mandatory price control, even apart from the police: of it - the prevention of black markets and the like - will be immensely difficult to

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make practicable unless very soon the causes of inflation are attacked with much more vigour than they have been up to now. What has been done so far is by general agreement anything, but adequate to keep down inflationary pressures, the Government is still making large expenditures for non-essential things and is still failing to offer any real incentive to the public to save rather than to spend its money. Beyond that personal taxation, high though it is, falls far short of what it must be if the excess of income in the hands of the consuming public is to be absorbed. (L.T. 29/1/'51)

UK

New Defence Programme. Most of the remaining uncertainty concerning the size and intended speed of the defence programme was dispelled by the Prime Minister's statement yesterday. Plans have been both expanded and accelerated. Though there are no real surprises, the figures seem to be, if anything, slightly bigger than most people expected.

In terms of money, the three-year programme for total defence expenditure has now grown to £4,7000 m., of £1,566 m. a year, and the amount likely to fall on the next Budget to £1,300 m. It seems fully possible that this latest revision, in the absence of any war in Europe, or considerable expansion of the war in Asia, may be final, though higher prices or the necessity for higher service pay might possibly increase the cost. If the cost of defence this year is estimated at about £880 m., including supplementaries, the cost next year will be about £420 m. higher.

If production for the armed services, so much of which falls on the engineering industries, is to grow in three years to four times its recent level, plainly enough much engineering capacity must be turned away from civilian and export work. It seems to be recognized that engineering exports must be reduced, for Mr. Attlee insisted that "other industries, including the textile industry, will have to extend their exports still further". Apart from this, a certain amount will be taken from the domestic investment programme.

Presumably these things, even with the aid of increased production, will not by themselves make sufficient room for the enlarged defence programme and there will be a significant residue which will have to be made good at the expense of the domestic consumer. The policy is evidently to use financial means in the first place to keep the domestic consumer on a tight rein. There will be a series of direct economic measures to check civilian demand. Such direct measures are already being applied to various raw materials. The critical question is naturally whether they will have to be applied to man-power as well (L.T. 3/2/'51)

JapanVital Statistics Japanese Black Market Price Indices of Producer Goods

August 1946 :: 100

Year & Month	Metal Manufactures	Fertilizers	Chemicals	Average
1950 September	658	119	367	400
October	704	133	369	423
November	737	140	316	430

Manufacturing & Mining Production Indices

1931-33 :: 100

	September	October
1950		
Manufacturing	103.3	115.6
Iron & Steel	170.2	197.7
Chemicals	249.2	282.7
Ammonium Sulphate	340.9	377.2
Textiles	61.7	67.9
Mining	123.3	128.7
Power & Gas	194.4	221.4

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## Exports &amp; Imports by Month (ml,000)

1950	Export	Import	Balance
September	75,521	67,927	7,594
October	87,897	72,163	15,734
November	82,572	90,502	7,930 (O.E. 13/1/'51)

South Eastern Asia.

The Colombo Plan. It is stressed that the Plan's aim is to give "a fresh impetus to economic development in S & S.E. Asia in order to raise production, raise standards of living, etc."

A good plans may be summarised as follows, by countries and by classes of investment:-

Countries	(in million of £)
India	1,379
Pakistan	280
Ceylon	102
Malaya & Singapore	98
Borneo	8
	<u>1,868</u>

## Categories: (% of total)

Transportation & Communications	34%
Agriculture	32%
Housing, health, education	18%
Industry & Mining	10%
Fuel & power	6%

Expected results are, notably (in six years): Increase in cultivated area 13 m. acres (3 $\frac{1}{2}$ %); increase in irrigated area 6 m. acres (7 $\frac{1}{2}$ %); increase in output of food grains 6 m. tons (10%) increase in electric power capacity 1.1 mm. KW (67%). These gain would powerfully eliminate the remaining shortages and reductions in capacity which are still present today as the inheritance from the war. But the population will still be growing meanwhile, and its pressure increasing; the fact that there will be an additional number of mouths to feed partly offsets the gross increases indicated. But the general stimulus will be a worldwide one, and is harder to calculate quantitatively. In prewar days, these countries provided nearly all the world's rubber and jute about three quarters of the tea, two-third of the oils and fats, and were correspondingly important as markets for industrial products in exchange.

The aim being a great speed-up in development the selection of methods of financing is a decisive consideration. Little is to be expected from internal financing. In India, for example, home-financed investment is currently about 2 $\frac{1}{2}$ % of the national income; most advanced countries "plough back" 10% or more, some as much as 20%. The vicious circle (no saving without development, no development) must be broken chiefly by external financing, unless there is to be forced saving, or inflation, none of which are contemplated. All these countries are running an adverse balance of payment at present.

It is desired to avoid increased taxation, or even to reduce existing taxation, which is high relative to the levels of national income.

The main sources of financing are expected to be: 1) Further drawing on sterling balances. India, Pakistan and Ceylon have nearly £250 m. down under this heading over the six years. 2) Private investment. 3) International Bank for Reconstruction and Development. It can only extend further loans of the kind to projects of an exceptionally sound nature. 4) Government - to - Government loans. This would seem the important channel. For the most part, the amount required are much beyond the scope of the other sources listed above, especially perhaps in the earlier stages of the Plan. The British Government, in view of its special responsibility in the colonial sphere, has stated its intention for furnishing all the funds required under the Plan for Malay, and Borneo. (F.B.I. 1/2/51)

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Burma

The scope of imports for which official foreign exchange will be granted by the Burmese Government has been extended to include cotton yarn cotton piece goods, motors, hurricane lamps, hospital supplies (including equipment and medicines) and enamelware for special uses. (F.E.E.k. 1/2/'51)

Tariffs and Trade Controls; open General Licenses Issued for Certain Commodities.  
Newsprint, printers' ink, long cloth, shirtin, and agricultural implements are now freely importable into Burma from sterling countries under new open general licences which became effective in October. (F.E.W. 25/12/'50)

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★ END ★